

ORA DATA REQUEST
ORA-SCG-024-CL8
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE – PARTIAL #1
DATE RECEIVED: NOVEMBER 30, 2017
DATE RESPONDED: DECEMBER 14, 2017

Exhibit Reference: SCG-38 and SCG-38-WP-C (herein, “the workpapers”)

SCG Witness: Karen Chan

Subject: Working Cash

Please provide the following:

1. Referring to Working Cash Schedule O-3, please provide a reconciliation of the amortization of insurance premiums. Please include the following:
 - a. A detailed narrative description of the amortization of insurance premiums;
 - b. Identification of all insurance premiums that are represented by the figure in Schedule O-3. Include references to applicable working cash items/schedules;
 - c. Identification of the policy periods of all insurance premiums identified in (b);
 - d. Identification of the cash value and amortization amounts of the insurance premiums identified in (b);
 - e. A narrative justification of the working cash need that SoCalGas associates with the amortization of insurance premiums, including a description of any timing differences with the payment of insurance premiums.
 - f. A cross-reference of Schedule O-3 against the insurance testimonial exhibit (Exh. SCG-29/SDGE-27 and associated workpapers). Please identify the allocation of insurance premiums to SDG&E versus SoCalGas, as necessary.

SoCalGas Response 1:

- a. Please refer to attachment “Schedule O-3.1 Support.xlsx,” which outlines each of SoCalGas’ insurance policies captured as part of the insurance premium amortization totaling \$30.1 million on page 36 of exhibit SCG-38-R-WP. Attached “Schedule O-3.1 Support.xlsx” outlines the payment frequency, coverage description, and applicable coverage period.
- b. See response to question 1A.
- c. See response to question 1A.
- d. There is no cash surrender value associated with the insurance premiums. Amortization is shown as part of attachment “Schedule O-3.1 Support.xlsx.”

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SoCalGas Response 1 Continued:

- e. Standard Practice U-16 states that “The working cash allowance is a component of ratebase...*its purpose is to compensate investors for funds provided by them which are permanently committed to the business for purposes of paying operating expenses in advance of receipt of offsetting revenues from its customers*” (page 1-2, italics added). Insurance premiums are generally paid in advance of the coverage period to which they relate; and are amortized over the coverage period rather than expensed when payments are made. Because the timing of expense of insurance premiums aligns with the amortization period, this creates a delay between when payments are made and when offsetting revenues are received. Therefore, including the amortization of insurance premiums as part of SoCalGas’ working cash request is consistent with guidance provided in Standard Practice U-16, as previously referenced.

- f. Please refer to attachment “Schedule O-3.2 Support.xlsx” for comparison of working cash Schedule 0-3 to insurance schedule SCG-29.

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2. Regarding the balance sheet account details provided on pages 43-47 of the workpapers:
 - a. Please define all abbreviations within the column “Account Description” and provide a summary description of each account.
 - b. Please explain if any amounts are included in both the “Employees Withholding” details on page 46 and the withholding indicated in Schedule E on page 9.

SoCalGas Response 2:

- a. Please refer to attachment “Schedule P Detail Support.xlsx.”
- b. There are no amounts included in both the “Employees Withholding” details on page 46 (Schedule P) and the withholding indicated in Schedule E.
 - The withholdings in Schedule E are mandated taxes such as payroll, FICA, Federal and State unemployment.
 - The withholdings in Schedule P are voluntary withholdings such as Employee Retirement Savings Plan Deferred and Employee Loan Repayments.

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Subject: Working Cash

Please provide the following:

3. Referring to Schedule N-1 on page 42 of the workpapers, please provide five years of historical data (2012-2016) that provide the actual refund received during each year.

SoCalGas Response 3:

Please refer to “Schedule N Historical (2012-2016).xlsx”

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Follow-up question regarding Data Request ORA-SCG-004-CL8, referred to as “that data request” below:

4. In its response to Question 4 of that data request, SoCalGas responded that the lag day figure for Schedule H-6 “represents the estimated time period between notification of amount due to when payments are disbursed” and adduces the 2016 and 2012 GRCs as additional evidence.

- a. Please explain whether or not this estimation is based upon a study of the total population of relevant invoices.
- b. If the answer to (a) is no, please provide a detailed explanation of the basis for this estimation of 9 lag days.

SoCalGas Response 4:

- a. The 9-day lag estimate is based on a study that was performed for SoCalGas’ 2012 GRC. Because of the effort required to perform this study in relation to the immateriality of the impact worker’s compensation payments has on the overall working cash study, this same estimate was used for SoCalGas’ 2016 GRC, and similarly rolled forward for the 2019 GRC as well.
- b. We recreated the 9-day estimate study based on the total population of relevant 2016 workers’ compensation payments. In doing so we derived a payment lag of 18.8 days for these payments. This change would not have a material impact on the overall working cash request (approximately \$600k).